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SURVEY OF WUHAN INDUSTRY, APRIL 1949-APRIL 1950

Policy Study Group
 Wuhan Committee
 Chinese Communist Party

Wuhan industry appeared to be in a very severe depression in the early liberation period. This was due to the fact that it had suffered for a very long time from exploitation by the reactionary KMT, as well as from the destruction by the recently retreating bandits of Pai Ch'ung-hsi. On the other hand, industry in general has been confronted with serious problems, such as shortages of capital and raw materials and the lack of markets arising from the temporary rift between urban and rural areas.

To bring industrial production back to normal, the government has with great effort restored the transportation system and extensively improved the freedom of trade between urban and rural areas. By following sound commercial, industrial, and labor policies, the government has also given substantial aid to private industry. Therefore, public and private industry have been able to overcome many difficulties and resume normal production.

In the past year, with trade between urban and rural areas beginning to flow in a wider area and in larger volume, the commerce and industry of the Wuhan area, in fact, the entire economy in that area, have been stimulated toward positive recovery. The total value of imports and exports, as recorded by the Hankow Customs House, has amounted to 1,624,800,000,000 yuan since the liberation. The rate of increase in the value of imports and exports has been very high. For example, the total value for December 1949 was more than ten times higher than that for June of the same year. Since the liberation, the cargo tonnage has been 764,729 tons, or 76,000 tons per month, which corresponds to about 55 percent of the average monthly tonnage in the preliberation year of 1947. In contrast with the cargo tonnage, the freight tonnage of the Peiping-Hankow Railway reached 594,630 tons from 1 August 1949 to April 1950, exceeding that of the entire preliberation year of 1947. Since imports and

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exports consist mostly of industrial and agricultural goods which are badly needed by the people, such as foods, cotton, cotton yarn, cloth, industrial raw materials, fuel, and living necessities, it is clear that there is a close relationship between the recovery of industrial production in the past year and the daily growing trade between the urban and rural areas.

Industrial Recovery

There are 25 different industries in the Wu-han area, including utilities, machine tools, vehicle repairing, electrical equipment, steel and iron, cement, flour, paper, textiles, chemicals, and rice milling. (Firms without a factory are not included.) Of these 25 industries, 14 were out of operation, while the rest were confronted with serious difficulties in the early period following liberation. However, industrial production, in general, has been recovered through the efforts of the workers, the high efficiency shown by management, the careful production planning, and the popular production competitive movement.

In fact, those industries which are vital to the nation's economic future, such as steel, cement, machine tools, mechanical engineering, shipbuilding, and electrical equipment, have been brought under an integrated system of publicly owned enterprises. Accordingly, since 1950, production plans for these industries have been made under the leadership of the related departments of the Central People's government and the Central and South China Military and Administrative Committee. After those industries which concern the people's livelihood, as well as future reconstruction, such as water and electricity, paper, chemicals, and dyeing, were brought under the control of the municipal government, plans were made based upon the raw material supply and market conditions. In general, all the public and private industrial factories have begun production planning.

In the past year, the workers in public and private industries have shown great initiative and creative genius. They have made tremendous contributions in the conservation of materials, new inventions, and in their suggestions for rationalization. Due to their enthusiasm and intelligence, they have overcome many difficulties. Indeed, they are the prime movers of the production system.

To show the achievement with respect to production records and conservation of materials, we may take the municipally owned Chi-chi Water and Power Company as an example. After its workers started their coal-saving movement, coal consumption per kilowatt-hour dropped to 1.419 kilograms in April 1950, a 33-percent drop, compared with 2.13 kilograms in the same month a year ago. As a result, about 9,000 tons of coal were saved from June 1949 to April 1950. Before the liberation, the poaching of electrical power was astounding. In March 1949, the amount of power stolen by poachers was equal to about 41.2 percent of the total power supply. Through investigations by the employees and workers, the above-mentioned ratio fell to 6.61 percent; thus, the plant was again able to show a profit, after long suffering from losses.

The Wu-ch'ang shop of the Canton-Hankow Railway furnishes another example. In January 1950, only 25 cars were repaired; but in February, 75 cars were handled within 21 days. According to labor standards in January, the 75 cars would have required 9,292 man-days, but actually they required only 3,769, a saving of more than 50 percent due to the enthusiastic, energetic, and organized labor strength.

Now let us turn to the increase in production. In March 1950, publicly owned industries in general exceeded the normal level prevailing in the period from V-J Day to liberation. The rate of increase would appear to be greater if we chose periods immediately preceding and following the liberation as our bases for comparison. Thus, the Hankow Dyeing Company had an output of 1,661

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bolts of cloth in March 1950, which is more than a two-fold increase over the preliberation monthly average of 500 pieces, or about equal to eight times the output of April 1949, prior to the liberation.

In 1950 the Hankow Chemical Factory produced 6,321 boxes of soap, which is equal to 130.6 percent of the normal monthly record before the liberation, or 15 times the production in April 1949. Opening shortly before the liberation, the Hua-hsin Cement Plant put out only 332 tons of cement in May 1949, and 655 tons in June 1949, but increased rapidly to over 4,000 tons in February 1950. Some factories have either approached or exceeded the level prior to the Sino-Japanese War. For example, the Nan-yang Tobacco Company produced 1,279 boxes, which is close to the prewar level of 1,300-1,600, or three times the production of April 1949. The Hankow Battery Company reached an output in March 1950 equal to 175 percent of the prewar level. The Han-yang Packaging Company had an output equal to 300 percent of the prewar level for the same period.

However, we must realize that almost all the highest production records since the liberation occurred in the 3-month period from November 1949 to January 1950. March 1950, the base period we used here, shows a general decline. It is possible that some industrial production, such as cigarettes and soap, may drop in April.

On the eve of the liberation, most Wuhan private industries were either shut down or reducing their output. Four fifths of the cigarette, flour, machine-tool, and rice-polishing plants were out of operation; packaging, brick and tile, and building industries shut down almost completely; and 60 percent of the sawmills were shut down, while the rest operated only at half capacity. Since the liberation, with the restoration of transportation and the government's policy of strengthening the economy, most industries have gradually recovered and are resuming normal production.

According to the Wuhan Bureau of Commerce and Industry, before the liberation, there were 744 factories equipped with motor power or using more than ten workers. From the liberation until April 1950, 256 factories were opened, and only 50 went out of business -- a net increase of 206 firms. At present, the total number of factories is 950. Employees and workers numbered more than 21,000 in the early period of the liberation, but now number 28,000, an increase of 7,000. Rice polishing is the industry which probably has the greatest increase in number of new firms, with an increase of 83, while the cigarette industry has had the most firms go out of business.

Using electricity consumption as an index of production activity, the Chichi Power Plant reveals the following data: Before the liberation in April 1949, there were 589 consumer factories, with a consumption of 487,000 kilowatt-hours. After the liberation in June 1949, the number of consumers decreased to 578, with a consumption of only 210,000 kilowatt-hours. Since then, these figures have shown rapid increases. In January 1950, the number of consumer factories increased to 692 with a consumption of 1,104,000 kilowatt-hours, which exceeded the highest record since 1946, and showed an increase of 230 percent over April 1949's record. But consumption declined again in March 1950, due to seasonal fluctuation, as well as the general recession in some industries. It amounted to only 750,000 kilowatt-hours in April. Nevertheless, there was an increase of 200,000 kilowatt-hours over the 480,000 kilowatt-hours of April 1949. This data indicates that private industries in the Wuhan area have, in general, returned to normal since the liberation.

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1. Textile Industry

The textile industry is among the largest private enterprises and has made a rather rapid recovery. Before the liberation, the number of spindles in operation was 100,000 and the number of looms 140. Since the liberation, production has returned to normal due to the enthusiastic support of the government and workers. In April 1950, the number of spindles in operation reached 120,000 and the number of looms, 549 with an output of 5,227 bales of cotton yarn, twice as much as that of June 1949. Cloth production amounted to more than 24,000 bolts, which is equal to seven times that of June 1949. All these figures exceed those for the period immediately preceding the liberation. The privately owned No 1 Cotton Yarn Company produced 20 yarn at the rate of 0.696 pounds per spindle per 20 hours in March 1950, compared to 0.591 pounds in March 1949, prior to the liberation, showing an increase of 19 percent.

2. Flour Industry

The number of firms has increased from 36 in the preliberation period to 48 at present. The smaller firms in this industry are engaged in some subsidiary business, such as rice polishing and vegetable-oil pressing. Since the liberation, due to the shortage of wheat and lack of markets, more than half of the firms in the flour industry have been doing processing jobs for the government, with the highest monthly output of about 215,000 bags. In April 1950, the monthly output went down to only 45,000 bags, although it still showed an increase of 60 percent over that of April 1949. From June 1949 to April 1950, the average monthly output was 110,000 bags. Half of this amount was government orders, as a result of which they were able to stay in operation.

3. Chemical Industry

This includes the match, soap, paint, pharmaceutical, cosmetic, and dye industries, with a total number of 26 firms, an increase of seven firms since the liberation. From June to September 1949, the soap output amounted to 21,000 boxes, but dropped in subsequent months due to lack of demand. There was some indication of relief in March 1950, and the large factories expected increased production.

The market is weak, but a better prospect is expected for May and June, as the small and medium-sized factories are organizing an association for collective purchasing of raw materials, improving the quality of their products, and seeking a better market. The match industry has gained in its output each month, with 6,491 cases in April 1950, which is equal to 167 percent of the highest monthly record before the liberation. Production in the rest of the firms within the chemical industry has been fairly normal since the liberation, although some individual firms face the problems of shortage of raw materials and market competition coming from handicraft industries.

4. Cigarette Industry

There are 25 firms which have gradually recovered since the liberation, with fairly good earnings from October 1949 to January 1950. Since February 1950, 16 firms have been closed as a result of a combination of high costs, low quality, and keen competition from the handicraft products. Only five factories are now in full operation, their output dropping from 8,000 boxes in January to 3,000 in April 1950.

5. Coal Industry

With substantial aid from the People's Bank and with an expanding market, the large privately owned Li-hua and Yuan-hua Coal companies have had a sharp increase in output. In March, this output amounted to 19,600 tons, four times higher than in April 1949, and above the highest monthly average prevailing before the liberation.

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6. Rice-Polishing Industry

There are now 308 firms, an increase of 83 since the liberation. For the past year, they have been doing mostly processing work for the government. As a result of the decreased volume of government orders and the limitations of the market, they are facing a problem of surplus stock. Consequently, over 50 shops are reported going out of business.

7. Other Industries

The other industries, such as the machine-tool, dyeing, and vegetable-oil pressing, as well as the sawmills, have recovered with greater speed. The machine-tool and dye industries have reached monthly output levels far above preliberation levels. The machine-tool industry comprises a total of 400 firms, mostly small-scale. Among them, the plants which make sewing machines and looms are having a boom, although most of their business consists of repairing or rebuilding old machines.

Public enterprises have assumed the leadership, and have played an important part in helping private industries toward recovery. Since the liberation, the Hankow People's Bank has extended 30 billion yuan in loans to private manufacturers. More than 1,000 loans were given to 20 industries, consisting of 500 individual firms. For example, from June to December 1949, the big four cotton yarn companies obtained a total of 8 billion yuan in loans. The No 1 Cotton Yarn Company was able to resume production only after it had received a loan of 30,000 piculs of cotton and orders for more than 1,000 bales of its yarn from the government-owned trading company and a 4-billion-yuan loan from the People's Bank. Another example is the Fu-yuan Vegetable-Oil Plant, the largest in Wuhan. It has returned to normal production through the planned support from the People's Bank.

To direct speculative capital into production channels under the leadership of the People's Bank of China, a committee for making loans to the textile industry was organized by the public and private banking institutions of the Wuhan area. This committee was later reorganized into a united loan division and loanable funds rose from 2 billion to 16 billion yuan. The purpose of this loan division is twofold: to stimulate industrial production and to direct the financial market into normal business. Privately owned factories, such as the Shen-hsin and the Chen-huan Cotton Yarn companies, the Fu-hsin and Sheng-hsin Flour mills, and the Han-ch'ang Soap Company, are among those which obtained large loans.

In the past year, by giving processing work to private industries and by purchasing their products, the government-owned corporations have solved the problems of raw material shortages felt by private firms. Thus, private firms have been able to maintain their regular business. Not only this, but they have also been assured normal profits. For example, the flour mill and rice-polishing industries are operating essentially on government processing orders. The No 1 Cotton Yarn Company has been given processing orders for 10,000 bales of cotton yarn, and 60,000 bolts of cloth by government-owned companies; the Chen-huan plant has also processed 1,000 bales of cotton yarn; the Yü-chou and Ch'un-i Cigarette companies have processed 800 boxes of cigarettes for the publicly owned Tobacco Products Marketing Company since March 1950.

Even handicraft industries, such as towel, homespun cotton, and dyeing firms, have been doing processing jobs for the government involving over 258,000 bolts of cloth. According to a rough estimate, from October 1949 to April 1950 the value of purchase orders given by government-owned institutions to brick and tile, sawmilling, knitting, toothbrush, and leather and hide products industries amounted to the equivalent of 188 million catties of wheat. All these aids to private industries have undoubtedly had a stimulating effect on the whole economy.

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However, we must realize that a well-coordinated over-all plan is still lacking with respect to the granting of loans and processing jobs and the ordering and marketing of products. There is still lack of coordination between public and private enterprises. Some commercial capital has been shifted to production. For example, the Fu-yuan Oil Factory has bought the K'i-ming Trading Company in order to continue production. There were nine firms which switched from commercial business to manufacturing during January and February 1950. Although this should be encouraged, as a whole, there is still lack of positive organization and leadership with respect to the administration of commerce and industry.

Since last year, labor relations in private industry have begun to improve. Most workers understand the importance of unity between workers and capitalists in restoring and developing industrial production. As a result of collective contracts and conciliatory meetings between labor and capital, the big four cotton yarn companies are able to make production plans and launch production contests. The workers have made very valuable suggestions for boosting production. In some industries, the workers volunteered to accept wage cuts, taking into consideration the difficulties confronting their employers. This shows the real awakening of the workers.

However, it must be pointed out that in some industries, the workers, the labor leaders, and the capitalists have not fully recognized the significance of a mutually beneficial relation between labor and capital in the whole production program. Consequently, some abnormal situations still prevail which call for better adjustment.

In reviewing industrial recovery during the past year, we can recognize certain trends, as follows:

a. Recovery is continuing in public and private enterprises. Near the end of last year, the speed of recovery was greatest and production the highest; but it began to decline in the beginning of this year as a result of seasonal influences and deflation. Nevertheless, industrial production still remains at a higher level than that prevailing in the early liberation period. Two types of recoveries should be noted. Industries having wide demand, such as textiles, matches, knitting, and towels, have returned to normal with great speed. Related industries, such as sewing machines, dyes and dyeing, also have made rapid recovery. But those industries whose products are either not needed or needed less urgently by the general public or high-cost products, such as leather and hides, refined foods, Western clothing, furs, and tobacco, are having a recession. As the national economic and financial policies are better coordinated and prices become more stable, there will be no chance of survival for any speculative enterprises.

b. The national economic authorities are increasing their support and giving guidance to private business. This is shown by the People's Bank which has made processing contracts and granted credit to various industries, such as the textile, flour, rice-polishing, and cigarette industries, and part of the handicraft industries. Nevertheless, due to poor planning and insufficient organization, there appears to be a lack of coordination.

c. Some small and medium-sized factories, as well as some handicraft firms, have attempted collective management or some other kind of cooperation among themselves. For example, within the homespun cotton-weaving industry, eight associations have been organized; the towel industry has set up a production group, and the cigarette and soap makers have started promoting cooperative sales organizations.

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Public and Private Industry

In the past year, Wuhan public and private industries have accomplished much on their way to recovery. As trade between the urban and rural areas has expanded daily, industrial production has been gradually rising since June 1949, especially during November and December 1949, when agricultural products were moving to market in volume, with the result that commercial activities boomed. The major industries have reached the average level prevailing in the period from V-J day till the liberation. Production in some industries such as textiles, matches, dyeing, bituminous coal, and cement, has exceeded the highest monthly average which prevailed before the liberation.

In December 1949, 14 public and private industries, including textile, flour, cigarette, soap, paper, packaging, utilities, oil-pressing, machine-tool, dyeing, paint, coal, and cement, reached about 75 percent of their respective highest monthly levels in terms of output value prevailing before the liberation, but judging from their existing equipment and facilities, they were operating at only 49.7 percent of capacity. In other words, 50 percent of the facilities were idle. Since January 1950, because of a market recession, private industrial production has shown a general decline, although some industries such as soap, cloth, and cigarettes have risen continually.

Beginning in March of this year, as a result of the better coordination between the government's economic and financial policies, there emerges a new picture of price stability, while the artificial and vicious booms arising from runaway inflation in the past have begun to disappear. However, it is during this transition period that some weakness becomes obvious, such as the lack of co-ordination between various organizations. Consequently, factories generally face a shortage of capital and the problem of surplus; some of them are forced either to go out of business or to reduce output. For example, the cigarette, flour, rice-polishing, and soap industries show declines in output and a temporary state of depression.

Generally speaking, since being freed from imperialistic exploitation and bureaucratic monopoly, Wuhan industrial production has gradually returned to self-sufficiency with great achievements. However, we must admit many serious shortcomings in the management of public enterprises. Many factories are extravagant and wasteful in their administration. Because the democratic spirit in the production system has not been fully recognized and developed, the enthusiasm and genius of the working class have not yet been fully utilized. Bureaucratic administration and other evil systems are yet to be corrected. To reduce high costs and to bring public industry to a rapid development for the benefit of the people, we must devise a scientific, democratic, and efficient system of management and production plans.

Private industry usually commits itself to blind production without planning. This will be easier to correct as prices become stable. Nevertheless, many weaknesses caused by vicious inflation in the past 12 years still exist, such as poor management, high costs, products unsuited for rural needs, and surpluses resulting from speculative motives. The only solution is that, in addition to following the leadership of the government, which is willing to adjust public and private economic relations with a view toward a planned economy, private industry must expand deeply into rural areas, improve production methods, reduce costs of production, and cooperate with workers under a better understanding. Furthermore, those industries whose products are either not needed or needed less urgently should shift or limit production while those industries of vital importance to the people's livelihood will, naturally, receive support from their government. However, it must be emphasized that they should stand on their own feet first.

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The economy of New China is in a process of great change. Conditions favorable for industrial development have been or will be created. The People's War of Liberation has come to a victorious end. There is hope for internal and international peace and order. Market prospects will be better after the conclusion of the land-reform program. Finally, we have the friendly support of the great Soviet Union.

Wuhan will have a bright future, judging from its historical and geographical background. But private industry must fully realize the vital significance of the transformation from a state of semicolonialism and semifeudalism to a new People's Democracy and understand that some difficulties in this transition period are unavoidable. We must have faith in the future and overcome the difficulties of the present. Under the leadership of the People's government, which harmoniously adjusts public and private economic relations, and with the united efforts of workers and employers, let us march to victory.

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